



Tax and Legal Services

January 2026

Legal Update

10 most relevant aspects - Partial Bill of the Venezuelan Master Hydrocarbons Law

On January 21st, 2026, a bill for the partial reform of the Master Hydrocarbons Law, published in Official Gazette number 38.493 of August 4, 2006, currently in force, was discussed by the Venezuelan National Assembly. The bill was approved in its first reading and some formalities are to be completed before its enactment, which could lead to amendments in the aspects mentioned below:

1. **Disputes may be resolved in Venezuelan courts** or through alternative mechanisms such as conciliation or **independent arbitration**.
2. Primary activities (including exploration for deposits, extraction in natural state, initial collection, transportation, and storage) would cease to be exclusively reserved to State-owned and joint venture enterprises, as they may also be carried out by private companies domiciled in Venezuela under contracts with companies wholly owned by the Republic or their subsidiaries.

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Even though the first reading was approved, this text must return to the National Assembly plenary for the second reading where said Bill may be amended

Upon completion of all steps required for its approval, the final text shall be published in the Official Gazette for its enactment and subsequent legal effect

3. The Executive, through the Ministry with competence over hydrocarbons, must report to the National Assembly the incorporation of joint venture enterprises and the conditions applicable thereto (including any special advantages), without requiring parliamentary authorization or approval of subsequent amendments by National Assembly. It also redefines the applicable framework by establishing that joint venture enterprises shall be governed by the Law, their Decree of incorporation, and their articles of incorporation and bylaws. The Commercial Code should apply on a suppletory basis.
4. The powers that may be granted to joint venture minority shareholders are expanded, allowing such shareholder —subject to prior authorization from the Ministry with competence over hydrocarbons— to:
 - Directly commercialize part or all of the production, provided it obtains prices higher than those achieved by State-owned companies and reports the corresponding revenues through the official system.
 - Manage bank accounts in any currency or jurisdiction in order to optimize foreign-exchange flows.
 - Assume the technical and operational management of the joint venture, either directly or through a specialized service provider, always under State supervision and at reasonable costs that ensure an efficiency equal to or greater than that of the State-owned company.
5. In addition to the possibility contained in the instruments granting the right to carry out activities, said instruments may also include special advantages for the Republic (such as an increase in the royalty, contributions, or other payments contained in the Law, as well as employment obligations and the transfer of technologies, scholarships, and training), it is expressly added that such advantages may ‘include an economic consideration payable to the Republic for access to hydrocarbon reserves’.
6. The Extraction Tax rate remains at one third (1/3), with the customary payment rules and deductions, but it may be reduced by the Government, for economic-efficiency reasons, to 20% for contractual arrangements or to 15% for oil joint ventures, instead of the general minimum of 20% established in 2006, and without inclusion of the express-restitution clause contained in the previous regime.

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In addition, text of the Bill proposes the partial repeal of:

- The Law on the Regularization of Private Participation in Primary Activities contained in Master Hydrocarbons Law (Official Gazette of the Bolivarian Republic of Venezuela No. 38,419 of 18 April 2006)
 - The Master Law that reserves to the State assets and services related to the primary activities of Hydrocarbons (Official Gazette of the Bolivarian Republic of Venezuela No. 39.173 of May 7, 2009)
 - Any other Law that may collide with the provisions contained in the Bill
7. New provisions are incorporated to regulate primary activities carried out between State-owned companies or their subsidiaries and Venezuelan private entities, under which the operator manages the activities at its own cost, account, and risk pursuant to an approved Business Plan, without creating liabilities for the State-owned companies and while preserving State ownership over the reservoir. The operator's compensation consists of a percentage share of the measured volumes, which it may commercialize directly once its obligations have been fulfilled. It may lease assets and use the area upon payment of a fee, and upon termination it must return and transfer to the State-owned company any assets allocated, free of encumbrances and without indemnification. The operator is subject to the applicable tax regime, and the State-owned company acts as withholding agent.
 8. The base royalty rate remains at 30%, but the Government may reduce it, for economic-efficiency reasons, to 20% in contracts with private operators or to 15% in oil joint ventures entities and may subsequently increase it back to 30% when conditions change.
 9. State commercialization remains the general rule, but the Government may now authorize joint ventures and private contractors to sell their production directly, provided they obtain prices higher than those achieved by State-owned companies and State strategic control is preserved. In the absence of such authorization, the production must be sold exclusively to State-owned companies.
 10. The full validity and legal effectiveness of Hydrocarbon Productive Participation Contracts and other contractual structures executed prior to the entry into force of the reform is preserved, provided they were entered into under the Anti-Blockade Constitutional Law. Such contracts shall continue to be governed by the terms and condition contained therein and should not be modified by the proposed provisions.



Tax and Legal Services

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If you require more information, please contact us at the email ve_pwclegal@pwc.com and/or with the following people:

José Javier García P.
jose.j.garcia@pwc.com
+58 212 700.60.83

César A. Montes Gil
cesar.a.montes@pwc.com
+58 (212) 700.60.00

Lismar García
lismar.c.garcia@pwc.com
+58 (212) 700.60.00

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Tax & Legal Services
Contacts

Partners



José Javier García P.
jose.j.garcia@pwc.com
+58 212 700 6083



Elis Enrique Aray O.
elys.aray@pwc.com
+58 241 824 2321
+58 212 700 6139



Verónica Cariello H.
veronica.cariello@pwc.com
+58 212 700 6076



Ana Azevedo P.
azevedo.ana@pwc.com
+58 212 700 6982



Anna Rita Restaino I.
anna.restaino@pwc.com
+58 212 700 6217



Deivis Rojas
deivis.rojas@pwc.com
+58 212 700 6109

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